



Havant Borough Council

Community Infrastructure Levy

Draft Charging Schedule Consultation

4 February – 18 March 2019

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1.0 Introduction

What is the Community Infrastructure Levy?

- 1.1 The Community Infrastructure Levy (CIL) is a tariff which allows funds to be raised from new developments towards the cost of infrastructure to support development of the Borough. Its purpose is to give developers more certainty over costs and to give councils and communities more choice and flexibility in how infrastructure is funded.
- 1.2 The list of charges, or levy rates for the charging authority's area, are set out in a Charging Schedule.
- 1.3 The Havant Borough Local Plan 2036 will provide the policy basis for the collection of developer contributions and the provision of on-site infrastructure to support new development through obligations, agreements and tariffs. Since the introduction of CIL, the use of Section 106 Planning Obligations is limited to site specific mitigation measures which are required to make a development acceptable, such as a new access road or the provision of affordable housing.
- 1.4 CIL is intended to supplement rather than replace other funding streams and will help provide infrastructure to support local growth. CIL income can be used to fund new infrastructure, or to upgrade existing infrastructure, but not to remedy existing deficiencies.

Background and Planning Context

- 1.5 The Council commenced charging the CIL on 1st August 2013. The preparation of the Havant Borough Local Plan 2036 with its new proposals for development to meet housing and other needs across the Borough, including the identification of a Strategic Site, has triggered the need to review the CIL Charging Schedule.
- 1.6 This Draft Charging Schedule has been prepared in accordance with the CIL Regulations 2010 (as amended) and Government guidance. It is the second of two consultation stages in preparing a revised Charging Schedule for Havant Borough, alongside the preparation of the Havant Borough Local Plan 2036.
- 1.7 Havant Borough Council, as the 'charging authority' is required to consult on its proposed charging rates. Consultation on the Preliminary Draft Charging Schedule took place between 8 January and 16 February 2018. The consultation comments, together with updated evidence, have been taken into account in preparing the Draft Charging Schedule. The consultation comments and the Council's response are set out in the Statement of Consultation which is published alongside the Draft Charging Schedule and supporting evidence.

How to respond to this consultation

- 1.8 Consultation on the Draft Charging Schedule will take place from 4th February until 5pm on 18th March 2019.

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- 1.9 Comments should be submitted in writing by the close of the consultation period, preferably by email to: policy.design@havant.gov.uk

Or by post to:
Planning Policy
Havant Borough Council
Public Service Plaza
Civic Centre Road
Havant
PO9 2AX

- 1.10 All supporting evidence documents can be viewed on the Council's website at:
<https://www.havant.gov.uk/planning-and-environment/planning-policy/community-infrastructure-levy>
or
<https://www.havant.gov.uk/localplan/evidence-base>

Next Steps

- 1.11 All comments, or 'representations' made during the consultation period will be submitted, along with the Draft Charging Schedule and its supporting evidence, for a formal independent examination as soon as practicable.
- 1.12 An independent examiner must approve the Draft Charging Schedule before the Council can adopt a final Charging Schedule. The CIL charge will be applied to all liable planning permissions following the date of adoption. The CIL rates will be reviewed periodically thereafter.

2.0 Evidence Base

CIL Regulation Requirements

- 2.1 The CIL regulations¹ state that:
"In setting rates (including differential rates) in a charging schedule, a charging authority must strike an appropriate balance between-
(a) The desirability of funding from CIL (in whole or in part) the actual and expected estimated total cost of infrastructure required to support the development of its area, taking into account other actual and expected sources of funding; and
(b) the potential effects (taken as a whole) of the imposition of CIL on the economic viability of development across its area."

Local Plan

- 2.2 In order to set the rates, and to take into account these requirements, three key documents are used. The Pre-Submission Havant Borough Local Plan sets out how much development will take place in the Borough to 2036 and the locations of that development. Policy IN1 of the Plan provides the basis for the collection of

¹ CIL Regulations 2010 - Regulation 14(1) as amended by the 2014 Regulations

developer contributions and sets out the types of infrastructure which can be funded through obligations, agreements and tariffs.

Viability Assessment

- 2.3 The second element of the evidence base is the Viability Assessment which has been prepared for the Council by consultants in three parts.
- 2.4 The Dixon Searle Partnership has provided a Viability Assessment as part of the evidence base for the Local Plan. This has been carried out in two stages and published in separate study reports dated November 2017 (Draft v6) and January 2019 (Final v7). The assessments are based on up to date development value and cost assumptions and have tested a range of affordable housing scenarios using a series of relevant development scheme typologies (e.g. houses, flats, mixed schemes) at various broad locations (e.g. town centre, brownfield, greenfield).
- 2.5 The assessments use well-established methodology and principles and are based on residual valuation. This is how much money may remain for land purchase after all development costs (including reasonable developer's profit) have been deducted from the development sale proceeds. Judgements are then made about whether the residual land value (RLV) is likely to be sufficient to secure the release of a variety of site types by the landowners for development.
- 2.6 The appraisals are based on a range of scenarios that are considered representative of typical development types coming forward in the Borough. The appraisals are not about testing the viability of individual sites. However, sensitivity testing is undertaken to assess the influence on RLV, and therefore on viability, of changes to key factors including sales values, varying proportions of affordable housing² and the application of optional increased use of building regulations and levels of building specification. The latter may include changes such as adaptations to increase accessibility and usability of dwellings for less mobile and wheelchair users, or technical specifications such as dwelling sizes, or for reduced energy consumption and water efficiency. An allowance has also been made for potential site-specific planning mitigation through a S106 contingency.
- 2.7 Other aspects of the Pre-Submission Local Plan that would impact on viability have also been taken into consideration. These include increase in the financial contribution towards the [Solent Recreation Mitigation Strategy](#) (SRMS)³. Also, taking account of the proposals for regeneration of the town / district centres of Havant, Waterlooville and Leigh Park.

² Local Plan Policy H2 Affordable Housing - residential development for a net gain of 10 or more dwellings: 30% outside the Havant, Waterlooville and Leigh Park town centres and 20% in Havant, Waterlooville and Leigh Park town centres; with tenure split of 66% affordable rented and 33% shared ownership.

³ Endorsed by the PUSH Joint Committee in December 2017 and approved by the Council's Cabinet on 8 February 2018, the Council introduced the SRMS from 1st April 2018. This strategy revised the financial contribution required to be paid by developers from £172 per dwelling to an equivalent of £564 per dwelling, but charged on a sliding scale according to the number of bedrooms.

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- 2.8 The second stage report confirms that for residential development the existing charging rates, as indexed, are appropriate but alongside the Local Plan policies and wider development costs there is no scope to increase the charging rates beyond the levels produced by the indexing.
- 2.9 Most of the scenarios involved ranges of housing but non-residential and commercial assessments were also carried out. These found that other types of development tested, including such as employment developments, hotels, community facilities and care homes (care-led accommodation provision) were found not to be able to support a CIL charge for reasons of viability so should continue to be nil-rated.
- 2.10 The exception to this concerns large scale retail (retail warehousing and foodstores) where the assessment found such developments could support a charge closer to the higher level of the residential charge. However, any charge on small scale retail units could have a potentially damaging effect on their viability. The assessment suggested that the Charging Schedule need only differentiate by type and scale, using the recognised Sunday Trading related sales floor threshold of 3,000 sq ft / 280 sq m.
- 2.11 A separate Viability Appraisal for the Southleigh Strategic Site was undertaken by GVA to inform whether the development is able to cover the costs of providing the necessary associated infrastructure. This assessment was based on the proposed masterplan as prepared by Levitt Bernstein which seeks to deliver 2,100 homes, a three-form entry Primary School, a small retail centre, community facilities and unspecified class D1 uses⁴.
- 2.12 The assessment has sought evidence to enable setting of a 'benchmark land value' and has taken into consideration that the existing use of most of the area of the Strategic Site is 'greenfield' which may or may not be serviced. The assessment has also taken into account:
- an affordable housing target of 30% with tenure split of 70:30 affordable rent and intermediate (shared) ownership;
 - S106 contributions towards or payment for transport, health, community open space and other amenities (with the notable exception of any new access onto the A27);
 - the cost of building a three form entry primary school, accounted for as a construction cost;
 - private housing sales values based on typical local house types and examples;
 - retail unit and use class D1 property sales and rents based on local examples;
 - fees (legal, professional, sales and marketing); and
 - profit at 18% on Gross Development Value.

⁴ Class D1 – non-residential institutions include: health centres, crèches, day nurseries, libraries, museums and places of worship.

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- 2.13 Aside from the costs of development, assumptions have also been made in the assessment on such as anticipated developments rates per annum; also phasing of infrastructure with costs weighted accordingly.
- 2.14 The appraisal results indicate that if CIL is applied at the current rate (with indexation) there is a slightly positive surplus in Residual Land Value over the Benchmark Land Value. However, this margin leaves little room to allow for increasing costs, for example identification of additional requirements that are not currently factored in due to the high level (rather than detailed) nature of the proposed masterplan. Removing the CIL results in a relatively larger surplus and not putting the development at the margins of viability.
- 2.15 The second stage assessment undertaken by the Dixon Searle Partnership a year later also considered the Southleigh Strategic Site. This found that for reasons related both to delivery and practicalities, taking into account 30% affordable housing, and also because the emerging extent of site-specific costs and development mitigation could mean that the standard borough CIL would amount to too large a fixed top-sliced cost; therefore, to have reasonable viability prospects a nil rated zone is recommended.

Infrastructure Delivery Plan

- 2.16 The third and final element of the evidence base is the Infrastructure Delivery Plan. This has been prepared in support of the Pre-Submission Local Plan setting out requirements for infrastructure types and costs to support the levels of development proposed as informed by liaison with infrastructure and service providers. It is required by the CIL Regulations to demonstrate that there is a funding gap, or shortfall, between the cost of necessary infrastructure and identified funding and that the Council is therefore justified in charging the levy.
- 2.17 From the information received, it is clear that the cost of the infrastructure required to support development projects far exceeds the known available funds. Projects which have been costed, but for which a funding source(s) has not been identified (in whole or part), or is uncertain at present, have been collated and set out in Table 1 below.
- 2.18 The information presented in the table, however, is only a 'snapshot' of the current situation. The figures it contains will evolve and change as further information becomes available and the Plan will be updated and reviewed accordingly. It is also only a broad assessment of infrastructure needs (in scale and type) and is not any indication of the Council's priorities in allocating CIL funds for particular projects.

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Table 1: Aggregate funding gap for indicative infrastructure requirements – Borough excluding the Southleigh Strategic

Site

Infrastructure Category	Infrastructure Type	Indicative Cost £ (low)	Indicative Cost £ (high)	Funding Shortfall £ (low)	Funding Shortfall £ (high)
Education	Early Years	750,000	750,000	750,000	750,000
	Primary Schools	14,910,050	14,910,050	14,910,050	14,910,050
Emergency Services	Fire Station	6,002,000	6,002,000	6,002,000	6,002,000
Green & Blue	Flood Alleviation	900,000	900,000	0	0
	Coastal Defences	22,723,798	22,723,798	17,872,798	17,872,798
	Habitat Creation	17,240,191	19,540,191	16,765,191	19,065,191
	Green Routes	8,373,000	8,373,000	5,600,000	5,600,000
Health	Area Hub & Health Centre	12,500,000	12,500,000	12,500,000	12,500,000
Social	Community Centres	NK	NK	NK	NK
	Extra Care housing – 400 units	77,600,000	77,600,000	77,600,000	77,600,000
	Leisure – Built Sports Facilities	3,000,000	3,000,000	3,000,000	3,000,000
	Libraries	387,500	387,500	387,500	387,500
	Cemeteries and Crematoria	250,000	250,000	250,000	250,000
Transport	Buses – BRT	1,500,000	1,500,000	1,500,000	1,500,000
	Cycling & Walking	5,778,406	5,778,406	4,980,622	4,980,622
	Roads	4,800,000	34,800,000	4,800,000	34,800,000
Utilities	Water Supply - Havant Thicket Reservoir	90,000,000	90,000,000	90,000,000	90,000,000
	Waste Water – upgrade WTWs	NK	NK	NK	NK
	Telecommunications	NK	NK	NK	NK
Total		266,714,945	299,014,945	256,918,161	289,218,161

2.19 As Table 1 shows the indicative costs range from £266,714,945 to £299,014,945 and the known funding shortfall ranges from £256,918,161 to £289,218,161. Having identified the estimated funding shortfall it is then necessary to consider what funding may come forward to cover the shortfall. A calculation of potential CIL funding, based on the residential allocations in the HBLP and the draft charging rates below, indicates a possible £62,132,280 from CIL over the remaining plan period. Although only a notional sum, using the figure of £3,000 per dwelling (for all dwellings, including affordable, and all schemes), as accounted for in the viability appraisals, could raise a further £24,576,000. Even with these sums added to the shortfall range there clearly remains a considerable 'funding gap' which justifies the preparation of the CIL Charging Schedule.

3.0 Draft Charging Rates

- 3.1 Charging authorities are strongly advised not to adopt CIL rates at or near the margin of viability. This is to allow for future fluctuations in market conditions and means that the Charging Schedule will not need to be reviewed with every minor change in conditions.
- 3.2 The proposed rates are set out in the table at Appendix A together with the maps showing the areas (charging zones) to which the respective charges apply. For clarification, the charging zones are based on ward boundaries with the exception of the Strategic Site which follows the boundaries of the development area as proposed in the Pre-Submission Havant Borough Local Plan 2036.
- 3.3 As indicated by the Viability Assessments, taking account of the need for affordable housing, the residential development in the areas of Emsworth and Hayling Island should continue to support a higher rate of CIL (based on residential market value levels in new build properties) than Havant and Bedhampton, Leigh Park and Waterlooville. The rates being charged should continue at the current rate, including the applied indexation.
- 3.4 The residential rate does not include extra care housing but does apply to sheltered housing which is CIL liable. The Council recognises the additional services and facilities provided by extra care housing such as care facilities, kitchens, communal and shared areas, which are likely to impact on development viability.
- 3.5 Retail developments depend on their size as to their viability and are charged accordingly with charges only being applied to large (>280 sq m) developments. Other developments including offices, industry and warehousing, hotels, community and leisure uses continue to be zero rated.
- 3.6 The area of the Southleigh Strategic Site will be 'zero rated' for CIL due to the amount of infrastructure that would more appropriately be provided through planning obligations.

4.0 Regulation 123 List

- 4.1 Regulation 123 of the Community Infrastructure Levy Regulations, (as amended by the 2011, 2013 and 2014 Regulations) provides for a Charging Authority to set out a list of those projects or types of infrastructure that it intends to fund, or may fund, through the levy.
- 4.2 A Charging Authority must apply CIL to funding the provision, improvement, replacement, operation or maintenance of infrastructure to support the development of its area. For the Neighbourhood Portion, this also includes anything else that is concerned with addressing the demands that development places on an area.
- 4.3 Infrastructure includes: roads and other transport facilities, flood defences, schools and other education facilities, medical facilities, sporting and recreational facilities and open spaces⁵.
- 4.4 Regulation 123 limits the use of planning obligations, therefore Section 106 requirements will be scaled back to those matters that are directly related to a specific site, and are not set out in a Regulation 123 List. This is to ensure there is no double charging towards the same infrastructure project.
- 4.5 Where the Regulation 123 List includes a generic type of infrastructure (such as 'transport'), Section 106 contributions should not be sought on any specific projects in that category. Individual projects on the Charging Authority's Regulation 123 List that it proposes to fund from the levy cannot be funded by S106 contributions. Contributions may be pooled from up to 5 separate planning obligations for a specific item of infrastructure (e.g. a local school) that is not included on the Charging Authority's Regulation 123 List.
- 4.6 In accordance with Regulation 122, developments will be expected to provide for, or make contributions towards, infrastructure not in the Regulation 123 list, where it is needed to make development acceptable in planning terms and meets the legal tests of being necessary, related and reasonable. This provision will be in addition to the CIL. Policy IN1 of the Havant Borough Local Plan 2036 sets out the expectations for developer contributions, and further information is provided in the Borough Council's [Developer Contributions Guide](#).
- 4.7 The list at Appendix B sets out those infrastructure types or projects that Havant Borough Council may wholly or partly fund through the CIL. The inclusion of projects on the list does not signify a commitment by the Council to fund all the projects listed, or the entirety of any one project through the Levy. Nor does the list imply any order of preference for spending.

⁵ As defined by s216 of the Planning Act 2008.

5.0 Spending, Monitoring and Further Information

- 5.1 The Council's [Developer Contributions Guide](#) contains further information on the administrative processes associated with the CIL, including when CIL will be charged, who is liable to pay it, the instalments policy, payments in kind, reliefs and exemptions, the relationship with S106 planning obligations and how spending priorities will be determined and funds allocated.
- 5.2 The Council has adopted a [CIL Funding Decision Protocol](#) which sets out a framework for decision making on spending the CIL. It includes the process by which infrastructure providers can bid for CIL funding, and how community groups can put forward proposals for spending from the Neighbourhood Portion.
- 5.3 The CIL regulations set out the requirements for a report to be published annually setting out how much CIL has been collected, how much has been spent and on what, and how much is retained. Monitoring reports are published on the Council's [CIL Monitoring](#) page of its website.

Where else to look for information?

Planning Practice Guidance – Community Infrastructure Levy
<https://www.gov.uk/guidance/community-infrastructure-levy>

Planning Portal – About the Community Infrastructure Levy
https://www.planningportal.co.uk/info/200126/applications/70/community_infrastructure_levy

Appendix A: Draft Charging Schedule

Charging Authority

The Charging Authority is Havant Borough Council

Date of Approval

This Charging Schedule was approved by the Council on

Date of Effect

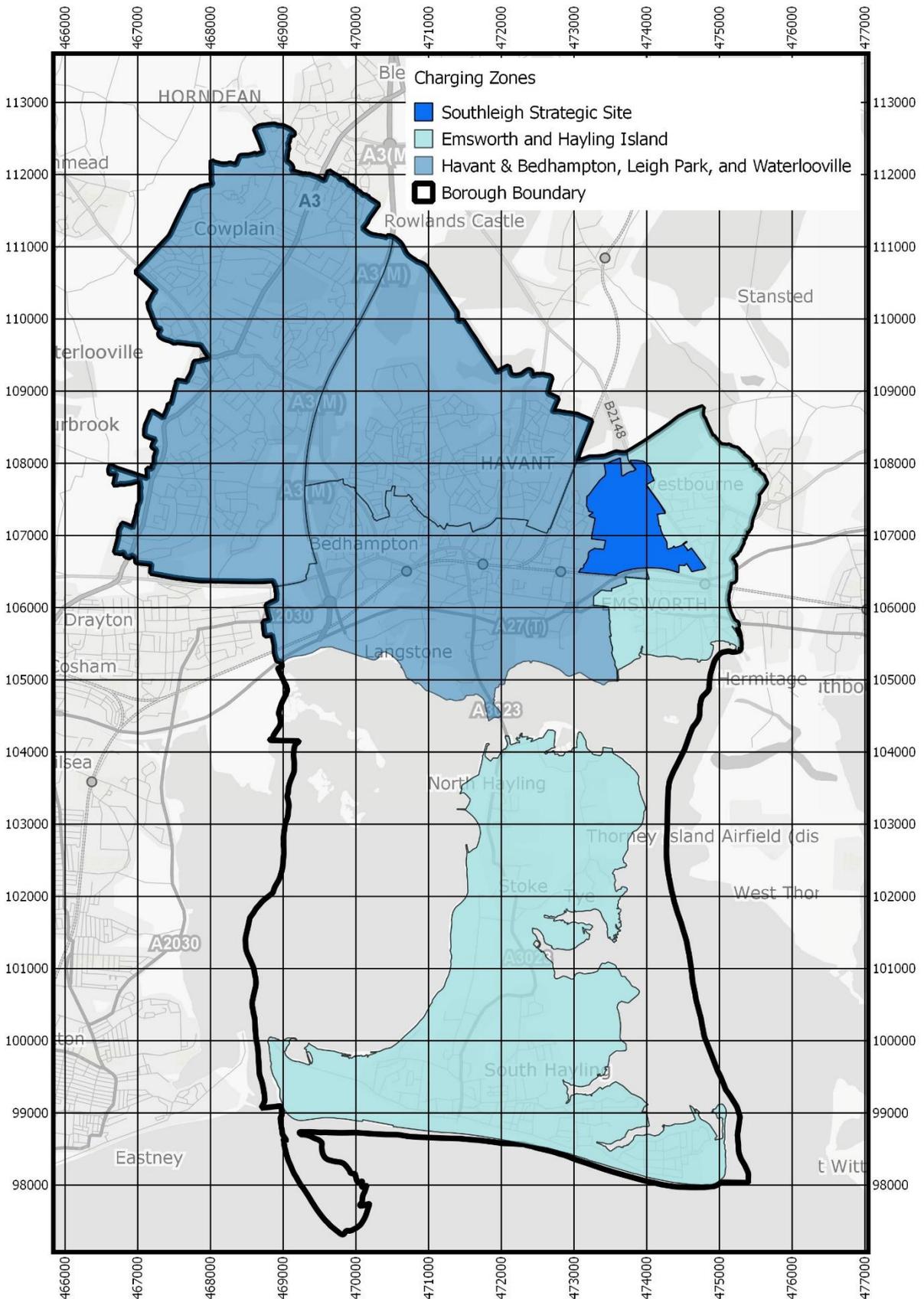
This Charging Schedule will come into effect on

CIL Rates

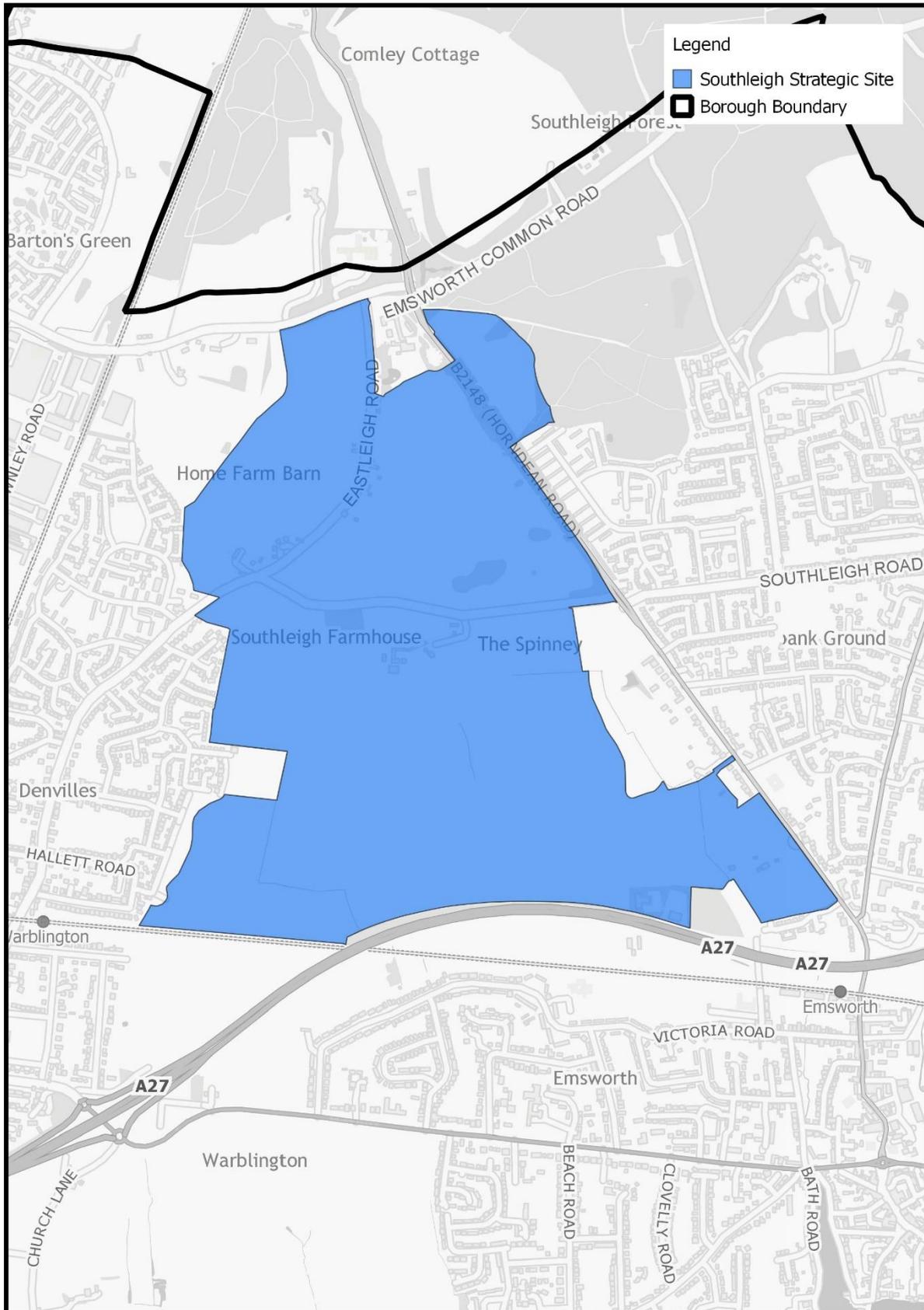
The rate at which CIL is charged shall be:

Development Type	CIL Rate (£ per sq m)
Residential* (one dwelling or more):	
- Emsworth (excluding Strategic Site) and Hayling Island	£140
- Havant (excluding Strategic Site), Leigh Park and Waterlooville	£112
- Southleigh Strategic Site	£0
Retail (retail warehousing and foodstores) over 280 sq m	£125
All other retail, and retail within Southleigh Strategic Site	£0
All Other Uses	£0
* The residential rate excludes extra care housing.	

Map 1: Differential Rate Zones



Map 2: Southleigh Strategic Site



Appendix B: Regulation 123 List

The list below sets out those infrastructure types or projects that Havant Borough Council may wholly or partly fund through the CIL. The inclusion of projects on the list does not signify a commitment by the Council to fund all the projects listed, or the entirety of any one project through the Levy. Nor does the list imply any order of preference for spending. The Council retains the right to determine where CIL will be spent and is not restricted by this list.

Infrastructure Type or Project (CIL)	Exclusions (S106/S287)
Local and strategic transport improvements*	Site specific matters needed to mitigate the impact of the development and to make it acceptable in planning terms.
Flood and Coastal Erosion Risk Management Measures	Provision necessary to make the development acceptable in planning terms.

* Transport improvements may include works remote from the development site where the need for such works is identified in a Transport Assessment.

For the strategic allocation at Southleigh (Havant Borough Local Plan 2036 Policy KP5) a zero CIL rate has been set. All the infrastructure and facilities needed to serve this development will therefore be provided through S106/S278 agreements, and are not restricted by the Regulation 123 List.

An annual prioritisation process, following the receipt of bids, will be carried out to consider and select projects for funding in the light of CIL receipts and according to the Council's CIL Funding Decision Protocol.

The Council will review the Regulation 123 List as part of its monitoring of the collection and spending of CIL funds.

The collection and spending of CIL funds, including the decisions made by the Council on how funds will be used, will be reported annually in the Authority's CIL Monitoring Report.